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Israel

Oilseeds and Products Annual

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Report Highlights:

Israel is completely dependent on imports of soybeans to meet its feed needs.
The Israeli feed milling industry shifts easily from corn, barley, sorghum and other protein sources such as sunflower meal, DDGS, gluten feed and canola meal to feed wheat and soybeans depending on prices. In recent years, the Israeli feed milling industry shifted from soybeans to other protein sources, however as a result of the high soybean supplies from South America and the U.S, soybean imports in MY 20 /1 are estimated to rebound from the previous year and will total about 580,000 metric tons, nearly 40 percent higher than the previous year.
Although higher supplies of soybeans are expected from South America in MY 2010/11, mainly Brazil, the U.S. market share of soybeans is expected to increase by about 15 percent from the previous year and will total about 42 percent in MY 2010/11. Post estimates the U.S. share of

soybeans is projected to remain at 32-45 percent in the forthcoming years, while the remainder incoming from Brazil, Argentina and Paraguay.

Soybean meal and sunflower meal are the main meals used in the local poultry, dairy and cattle farms in Israel. In recent years, most of the oil meal imports were sunflower meal (mainly from the Ukraine) and this trend is expected to continue. Total oil meal imports in MY 2010/11 are estimated to increase by nearly 30 percent from MY's 2009/10 levels, totaling about 395,000 metric tons. Although data for the first 5 months of MY 2010/11 (October 2010-February 2011) show U.S. soy meal imports increased by nearly 180 percent from the same period one year ago (from 16,000mt to 36,000mt), post estimates the pace will decrease significantly during the rest of MY 2010/11 as Ukrainian sunflower meal exports and other protein sources are expected to increase significantly leaving the U.S. share at about 18 percent or 70,000mt.

Executive Summary:

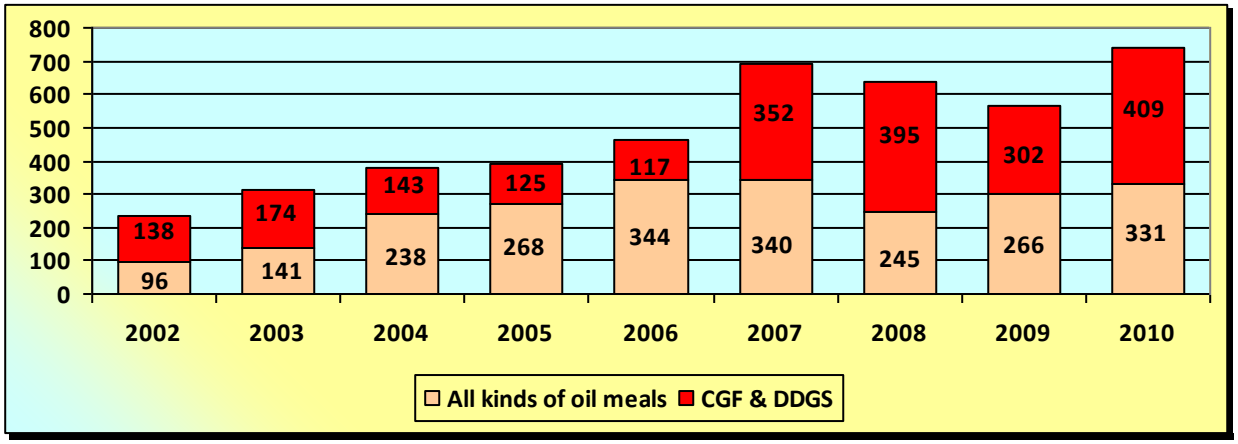
The most important U.S. food and agricultural exports to Israel are coarse grains, oilseeds, dried nuts, fruits and prepared food products. Soybeans enter Israel duty free; however oil meals and vegetables oils are subject to an import tariff. Despite the global rise in commodity prices combined with the fact that Israel is a net food importer, the Israeli government did not subsidize or changed tariffs on oilseed products. The global increase in food prices did not lead to problems in Israel as has been evident in some developing and other food import dependent countries. In CY 2010, inflation/CPI in Israel was 2.7 percent, within the range of the country's price stability target. Excluding the housing component, the CPI increased by only 1.9 percent in 2010.

MY 2009/10 Trade - Soybean imports in MY 2009/10 (October 2009 through September 2010) decreased 22 percent compared to the previous year and totaled 418,000mt. In addition, despite a total local feed demand increase of 14 percent in CY 2010 compared to the previous year (see chart 2), soybean imports decreased by 2 percent compared to the previous CY and totaled 486,000mt. The continued decrease in recent years of soybean imports is mainly due to significantly higher imports of other protein sources, such as sunflower meal, DDGS, gluten feed and canola seeds/rapeseeds (see chart 1).

Competitive prices of soybeans from South America combined with continued complaints from local importers that U.S. soybeans contain lower protein and oil levels as compared to Brazilian soybeans caused a further drop in soybean imports from the US, whose market share for soybean decreased from 56 percent share in MY 2007/8 to 36 percent share in MY 2009/10.

In MY 2009/10, imports of all kinds of oil meals totaled 306,000mt, a 10 percent decrease as compared to the previous MY. The slight decrease is probably due to technical/late registration issues at the port of entrance combined with decreased U.S. soy meal imports (from 86,000mt in MY 2008/9 to 51,000mt in MY 2009/10). Out of total oil meal imports, about 74 percent are sunflower meals which are imported mainly from Ukraine, 22 percent are soy meals which are imported primarily from the U.S., while the rest are canola meals which are imported from Belgium (about 15,000mt).

Chart 1: Import of Protein sources for animal feed to Israel, CY, 1000 mt



Source: Israeli Ministry of Agriculture

MY 2010/11 Trade – Soybean imports in MY 20 1/12 are estimated to rebound from the

previous year and will total about 580,000mt, nearly 40 percent increase from the previous MY. The increase is mainly in order to rebuild soybean stocks combined with the continued shortage of grains from Ukraine and Russia, high soybean supplies, the continued improved global economic situation and the expected increase in local broiler and milk production. Israeli importers will continue to import large quantities of South American soybeans. During the first five months of MY 2010/11 (October 2010-February 2011) soybean imports increased by 71 percent from the same period one year ago (from 113,000mt to 193,000mt); however, post expects the pace to decrease during the rest of MY 2010/11 as other protein sources and feed grains imports will increase. Despite the new large South American crop (Brazil soybean production is forecast at a record 70 million tons), post estimates that U.S. market share of soybeans in Israel is expected to increase by about 15 percent from the previous year's levels and will total about 42 percent in MY 2010/11.

Data for the first 5 months of 2010/11 (October 2010-February 2011) show total oil meal (sunflower, soy and canola meals) imports increased by 65 percent from the same period one year ago (from 91,000mt to 150,000mt). Most of the increase is in U.S. soy meal and Ukrainian sunflower meal; however, post expects the U.S. soy meal import pace to decrease significantly during the rest of MY 2010/11 as Ukrainian sunflower meal exports and other protein sources are expected to increase significantly. All in all, total oil meal imports will likely increase by nearly 30 percent from MY's 2009/10 levels, totaling about 395,000mt. The expected increase of oil meal imports is mainly in order to rebuild oil meal stocks and is driven by rising local population (annual population growth rate is 1.8 percent) and GDP combined with expected slight increase in per capita consumption of livestock products.

MY 2011/12 Trade – The Israeli feed milling industry shifts easily from corn, barley, sorghum and other protein sources (sunflower meal, DDGS, gluten feed and canola meal) to feed wheat and soybeans depending on price relationships. If the global and domestic economic environment continues to improve and prices for sunflower meals and other protein sources will continue to increase while soybean prices drop, total Israeli soybean imports are forecast to rise about 5 percent and reach 610,000mt in MY 2011/12. On the other hand, if soybean prices increase combined with decreased and/or unchanged prices for other protein sources, soybean imports will decrease by nearly 15 percent compared to MY 2010/11 and will total about 500,000mt.

In recent years (MY), soybean imports were no less than 418,000mt and not more than 681,000mt per year. Soybean imports averaged 551,000mt during the past 7 years.

If U.S. soybeans continue to arrive with lower protein and oil levels as compared to those from Brazil combined with continued higher supplies from Brazil, therefore, the American market share in 2011/12 is forecasted to decrease slightly and total about 38 percent.

If DDGS, gluten feed and other feed ingredient alternative imports continue to increase, total oil meal imports are expected to decrease by about 10 percent compared to MY 2010/11, totaling about 355,000mt. However, it is forecasted that sunflower meal imports will continue to be a major competitive feedstuff ingredient if its price continue to be relatively low compared to other feed ingredient alternatives.

In the most recent 7 marketing years, oil meal imports ranged from 219,000mt to 405,000mt per

MY, averaging 291,000mt per year.

Commodities:
Oilseed, Soybean

Production:

In Israel no oilseeds are produced for crushing. In MY 2009/10, confectionary sunflower seed production totaled 15,500 tons, of which 11,000 tons (70 percent) were exported, primarily to Spain and the remainder consumed in the local market. Also in 2009/10, about 16,000 tons of peanuts were produced, of which about 11,000 tons (70 percent) were exported mainly to the EU.

Sunflowers - As a result of expected increased cotton planted area in MY 2010/11 and in 2011/12, sunflower planted area will decrease by about 20 percent compared to the previous year, totaling 6,000 ha (7,500 ha in MY 2009/10). In MY 2010/11, sunflower production is expected to reach about 11,500 tons.

Peanuts – In recent years local peanut production has been relatively stable and is not estimated to change significantly in the forthcoming years. Post estimates that peanut production will total about 15,500 MT in MY 2010/11 and in MY 2011/12. Planted area for peanuts is forecasted at 3,000-3,500 ha for both years. The Negev region (southern part of Israel) is the largest peanut growing area in the country.

In the coming decades experts predict difficulties in the ability to produce food due to world population growth and climate change. Therefore, Israel must prepare for a possible shortage of staple foods in the next two decades and consider replacing current agricultural crops with wheat. In order to overcome the scarcity in natural resources, particularly arable land, Israel may have to give up crops like sunflower seeds and cotton in the Jezreel Valley (North of Israel) in favor of wheat. It is estimated that Israel will be able to increase its local wheat production by about 50,000 tons. In addition, Israel may have to decide to cut down on food exports in order to provide food for its population.

Table 1: Israel - Total Oilseeds

MY 2009/10	Soybean	Canola	Peanuts	Sunflower	Total
Area Harvested	0	0	3	7.5	10.5
Production	0	0	15	15	30
Crush	400	74	0	3	477
Imports	418	74	0	0	492
Exports	0		11 (confectionary peanuts)	11 (confectionary sunflower seeds)	22

MY 2010/11	Soybean	Canola	Peanuts	Sunflower	Total
Area Harvested	0	0	3	6	9
Production	0	0	15	11.5	26.5
Crush	536	72	0	4	612
Imports	580	72	0	0	652
Exports	0		11 (confectionary peanuts)	8 (confectionary sunflower seeds)	19

MY 2011/12	Soybean	Canola	Peanuts	Sunflower	Total

Area Harvested	0	0	3	6	9
Production	0	0	15	11.5	26.5
Crush	530	72	0	4	606
Imports	555	72	0	0	627
Exports	0		11 (confectionary peanuts)	8 (confectionary sunflower seeds)	19

** All data in 1,000 hectares and 1,000 metric tons
** The tables do not include stocks.

Consumption:

In CY 2010, local production of broilers remained at 2009 levels or 430,000 tons. However, it is estimated that local broiler consumption will increase by about 10-15 percent in the next 5 years. The expected increase will be mainly due to a new marketing campaign by the local manufactures combined with the new poultry products for consumers. Currently, the local broiler industry production capacity is down by about 20 percent from its utilized production capacity. Annual per capita consumption is relatively high compared to other countries and total about 42 kg, in processed meat terms, however it is lower than per capita consumption in the U.S.

In recent years local turkey production has declined, however during the last 2 years consumption has stabilized at about 92,000 tons. The decrease was due to changing consumer preferences, which consider broiler meat tastier than turkey meat. Annual consumption is about 8 kg per person.

In CY 2010, table egg production did not change compared to 2009 levels and totaled 1,800 million eggs. Some sectors in Israel such as milk and eggs are covered by sector-specific policy measures such as minimum guaranteed prices and production quotas aiming at securing profitability of production for a majority of producers. Annual per capita consumption in Israel is relatively high compared to other countries and total about 238 eggs.

In CY 2010, local milk product consumption increased by about 2.5 percent compared to 2009. As a result of the increased consumption of milk products in 2010, local milk production in 2011 will increase by 6 percent compared to 2010 and will total 1,325 million liters of milk. Annual local milk products consumption per capita is relatively low compared to other counties and totals about 170 liters.

Post estimates that soybean use will increase by about 38 percent in MY 2010/11 and will remain at about these levels in MY 2011/12. The increase in MY 2010/11 is due to the local and global economic environments which continue to improve combined with high supplies of soybeans. Estimates that the per capita local consumption of broiler and milk products is expected to increase as the Israeli population grows, annual population growth rate is expected to remain at 1.8 percent annually.

Trade:

Exports of Confectionary Peanuts and Confectionary Sunflower Seeds

Only confectionary peanuts and confectionary sunflower seeds are exported. As a result of the inconsistent quality of Israeli confectionery sunflower seeds and pest issues (sometimes crickets are found in the shipments), Spain which is Israel's primary destination for sunflower seeds intercepted some of the shipments from Israel. In addition, as a result of the expected decrease in sunflower planted area, it's expected that confectionary sunflower seed exports will decrease by about 25 percent in MY 2010/11 compared to the previous year.
CIF price for Israeli confectionary sunflower in MY 2010/11 will be about 1,800-2,000 Euros per ton. Israel's main confectionery sunflower seed competitors in Spain are China, Argentina and the U.S.

Peanut exports are relatively small and stable. Italy, Germany and Switzerland are the primary destination for Israeli peanut exports. It is estimated that Israel exports about 11,000 tons of peanuts per year (in shelled). The peanuts exports are valued at about $24 million per year.

Imports of Confectionary Peanuts and Confectionary Sunflower Seeds:

Imports of confectionary peanuts are relatively small and stable and were valued at about $3 million in CY 2010. Israel mainly imports confectionary peanuts from China (70 percent share) and the U.S (15 percent share). In the free trade agreement signed between the U.S. and Israel, there are quotas for tax-free imports and Israel allows for duty-free import of peanuts up to 284 tons per year. In recent years, this quota was usually fully utilized.

Imports of confectionary sunflower seeds are relatively small and stable and were valued at about $3.2 million in CY 2010. Israel mainly imports confectionary peanuts from the U.S. (90 percent market share). In the free trade agreement signed between the U.S. and Israel, there are quotas for tax-free imports and Israel permits duty-free import of sunflower seeds for confectionery at a rate of 3,000 tons per year. In recent years, this quota has been fully utilized.

Exports of Soybeans:

No exports of soybeans were recorded in MY 2009/10 and this situation is not expected to change in the future.

Imports of Soybeans:

MY 2009/10 – Soybean imports in marketing year 2009/10 (October 2009 - September 2010) decreased by 22 percent compared to the previous MY, and reached a ten-year low record, with 418,000mt. In addition, despite a total local feed demand increase of 14 percent in CY 2010 compared to the previous year (see chart 1), soybean imports decreased by 2 percent compared to the previous CY and totaled 486,000mt. The continued decrease in recent years in soybean imports is mainly due to significantly higher imports of other protein sources, such as sunflower meal, DDGS, gluten feed and canola seeds (see chart 3). In CY 2010, DDGS and gluten feed imports reached record highs of 410,000mt. In addition, canola seeds reached a ten-year high of 70,000mt.

Importers favored Brazilian over U.S. soybeans because of their higher protein and oil levels. As a result, U.S. soybean imports decreased by 8 percent compared to the previous MY and accounted for 36 percent of the market. However, U.S. soybeans are still a major player in the local soybean industry. According to the importers, about 21 percent of the imported U.S. soybeans were Non-GMO (32,000mt), while the rest were GMO. Because Solbar (Israeli soybean processing plant) exports most of its soybean products to the food industry in the EU, they must use Non-GMO soybeans.

MY 2010/11 Estimates – Soybean imports in MY 20 1/12 are estimated to rebound from the previous year and will total about 580,000mt a 39 percent increase from the previous year. The increase is mainly due to the rebuilding of soybean stocks combined with the continued shortage of grains from Ukraine and Russia, high supplies of soybeans, the continued improved global economic situation and the expected increase in local broiler and milk production. Israeli importers will continue to import large quantities of South American soybeans. Data for the first five months of marketing year 2010/11 (October 2010-February 2011) show soybean imports increased by nearly 71 percent from the same period one year ago (from 113,000mt to 193,000mt); however, Post expects the pace to decrease during the rest of MY 2010/11 as other protein sources and feed grain imports increase.

Although the U.S. market share for soybeans increased 41 percent in the first five months of 2010/11, compared to the same time period one year ago (from 58 percent market share to 82 percent market share), Israeli importers reported that imports from the U.S. will not continue at this pace because U.S. soybeans contain lower protein and oil levels compared to those from Brazil and as the new large South American crop becomes available (Brazil soybean production is forecast at a record 70 million tons), it is estimated that American soybean imports in 2010/11 will decrease from the current levels and Brazil will take over part of the American market share. However, despite the new large South American crop, Post estimates that the U.S. market share of soybeans in Israel is expected to increase by about 15 percent from the previous year's levels and will total about 42 percent in MY 2010/11.

MY 2011/12 Forecast - The Israeli feed milling industry shifts easily from corn, barley, sorghum and other protein sources (sunflower meal, DDGS, gluten feed and canola meal) to feed wheat and soybeans depending on price. If the global and domestic economic environment continues to improve and prices for sunflower meals and other protein sources continue to increase while soybean prices drop, total Israeli soybean imports are forecast to rise about 5 percent and reach 610,000mt in MY 2011/12.

On the other hand, if soybean prices increase combined with decreased and/or unchanged prices for other protein sources, soybean imports will decrease by about 15 percent compared to MY 2010/11 and will total about 500,000mt.

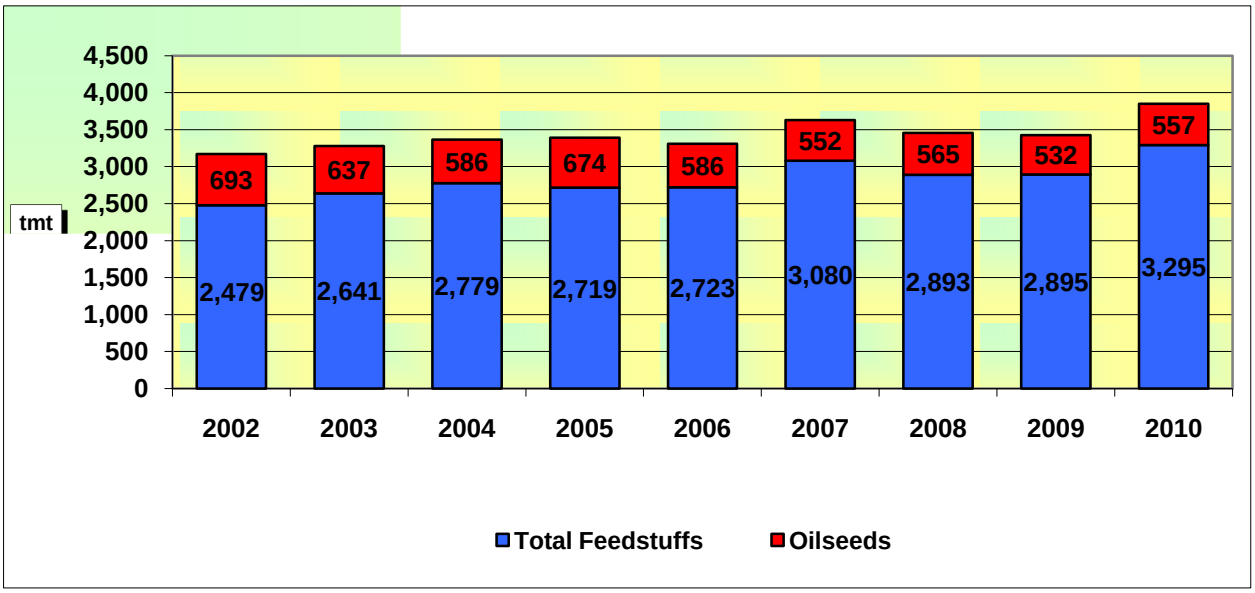
In recent years (MY), soybean imports were not less than 418,000mt and not more than 681,000mt per year. Soybean imports average of the past 7 years totaled 551,000 MT.

If U.S. soybeans continue to have lower protein and oil levels compared to those from Brazil, combined with the continued high supplies of Brazilian soybeans, the American market share in

2011/12 is forecast to decrease slightly and will total about 38 percent. American soybean import market share average of the past 7 years totaled 36.5 percent.

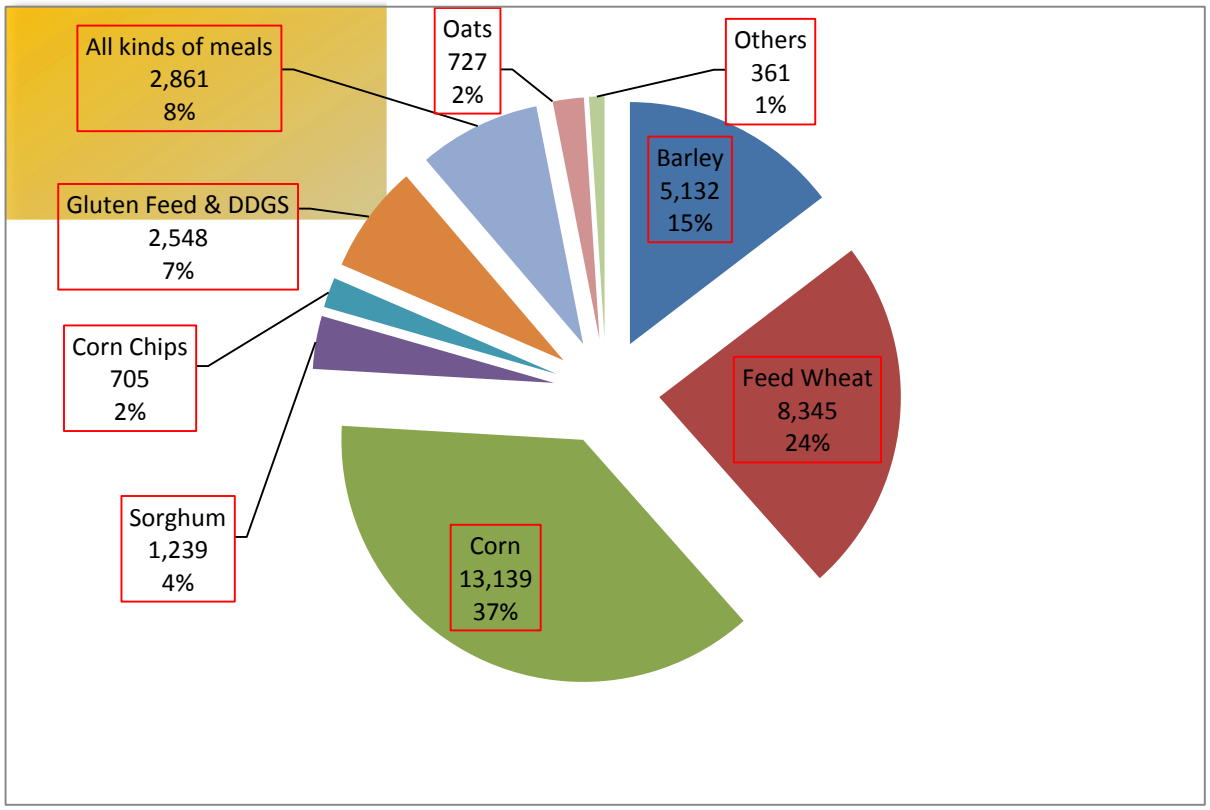
In the future, the U.S. is forecasted to maintain about 35 percent market share, with Brazil, Argentina and Paraguay supplying the bulk of the soybean imports. Post estimates that soybean imports are forecasted to be at about 550,000 tons in the forthcoming years.

Chart 2: Total Import of all Feedstuff and Oilseeds (soy and rapeseeds), CY



Source: Israeli Ministry of Agriculture

Chart 3: Total Import of all Feedstuffs to Israel from 1997-2010, in tmt and Market Share



Source: Israeli Ministry of Agriculture

Table 2: Imports into Israel of Oilseeds, Oil Meals and Other Protein Sources, MY (Oct-Sep), Thousand Metric Tons

MY	Soybeans	Meals	Rapeseeds	Gluten Feed & DDGS	Total Import
2003/04	570	255	41	156	1,022
2004/05	681	222	37	143	1,083
2005/06	534	288	47	88	957
2006/07	576	405	48	246	1,275
2007/08	540	219	27	424	1,210
2008/09	539	342	27	348	1,256
2009/10	418	306	74	329	1,127
7-year average	**551**	**291**	**43**	**248**	**1,133**
2009/10 (5 months)	113	91	33	116	353
2010/11 (5 months)	193	150	24	167	534
2010/11 % Change Compared to the Same Period One Year Ago	**71%**	**65%**	**-27%**	**44%**	**51%**

Source: Ministry of Agriculture, Office of Prices and Supply

Table 3: U.S. Soybeans, Meals and Other Protein Sources Imports to Israel, MY, Thousand Metric Tons

MY	Soybeans	Meals	Rapeseeds	Gluten Feed & DDGS	Total Import From the U.S.
2003/04	163	35	8	149	355
2004/05	163	5	0	136	304
2005/06	191	0	0	88	279
2006/07	206	75	0	228	509
2007/08	304	0	0	356	660
2008/09	212	86	0	327	625
2009/10	151	51	0	297	499
7-year average	**199**	**36**	**1**	**226**	**462**
2009/10 (5 months)	66	13	0	116	195
2010/11 (5 months)	159	36	0	167	362
2010/11 % Change Compared to the Same Period One Year Ago	**141%**	**177%**	**0%**	**44%**	**86%**

Source: Ministry of Agriculture, Office of Prices and Supply

Table 4: U.S. Share Out of Total Soybeans, Meals and Other Protein Sources Imports, Percent

MY	Soybeans	Meals	Rapeseeds	Gluten Feed & DDGS
2003/04	28.6	13.7	19.5	95.5
2004/05	23.9	2.3	0	95.1
2005/06	35.8	0.0	0	100.0
2006/07	35.8	18.5	0	92.7
2007/08	56.3	0.0	0	84.0
2008/09	39.3	25.1	0	94.0
2009/10	36.1	16.7	0	90.3
7-year average	**36.5**	**10.9**	**2.8**	**93.1**
2009/10 (5 months)	58.4	14.3	0	100.0
2010/11 (5 months)	82.4	24.0	0	100.0
2010/11 % Change Compared to the Same Period One Year Ago	**41%**	**68%**	**0%**	**0%**

Source: Ministry of Agriculture, Office of Prices and Supply

Import Trade Matrix, Soybean

The following table summarizes Israeli soybean imports.

Import Trade Matrix Israel Oilseed, Soybean (TMT) Time Period: CY			
Imports for:	**2009**		**2010**
U.S.	216	U.S.	218
Others	0	Others	0
Total for Others	0	Total for Others	0
Others not Listed	280	Others not Listed	268
Grand Total	496	Grand Total	486

** Others not listed are Brazil, Argentina and Paraguay.

Marketing:

Prices

The local price for confectionary sunflower seeds has not changed in recent months and currently stands at around NIS 6,000 ($1,714) per ton.

** Exchange Rate - $1=NIS3.5

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Israel	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Beginning Stocks	20	20	20	16		35
Production	0	0	0	0		0
MY Imports	321	418	325	580		555
MY Imp. from U.S.	150	151	150	244		210
MY Imp. from EU	0	0	0	0		0
Total Supply	341	438	345	596		590
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	300	400	300	536		530
Food Use Dom. Cons.	13	14	15	15		16
Feed Waste Dom. Cons.	8	8	10	10		11
Total Dom. Cons.	321	422	325	561		557
Ending Stocks	20	16	20	35		33
Total Distribution	341	438	345	596		590
1000 HA, 1000 MT						

Commodities:

Meal, Soybean

Production:

Oil meal production is primarily for the poultry sector. It is limited by crushing capacity and complemented by imports. Local oil meal demand is forecast to remain relatively stable at about 780,000 tons in the next few years, while local oil meal production will be at 360,000-460,000 tons in the forthcoming years.

Due to the expected increase in soybean imports in MY 2010/11, local soybean meal production in MY 20010/11 is forecast to increase by about 30 percent to 30,000 tm. Local oil meal production is mainly for soy meal, and the rest is canola meal. Local canola oil meal production in MY 2010/11 is forecast to increase by about 20 percent compared to the previous year and will total 30,000mt. The increase is mainly due to increased local consumption of canola oils (canola seeds imports increased in order to produce higher volumes of canola oils). In MY 2011/12, canola oil meal production and consumption is forecast to be unchanged compared to MY 2010/11. Three processing plants produce oil meals in Israel.

Local crushers can produce 44 percent and Hi Pro soy meals (48 percent). In recent years most of local soy meal production was 48 percent. This trend is expected to continue in the coming years.

Ukrainian sunflower meal exports to Israel have increased in the recent years due to the relatively low price of sunflower meal compared to other oil meals. It is estimated that sunflower meal imports in CY 2010 increased by about 10 percent from last year at the expense of soy meal imports.

Table 5: Israel - Total Oil meals

MY 2009/10	Soybean	Sunflower	Canola	Total
Crush	400	0	27	427
Production	323	0	25	348
Imports	66	225	15	306
Exports	0	0	0	0

MY 2010/11	Soybean	Sunflower	Canola	Total
Crush	536	0	38	74
Production	431	0	30	61
Imports	88	90	17	95
Exports	0	0	0	0

MY 2011/12	Soybean	Sunflower	Canola	Total
Crush	30	0	38	568
Production	25	0	30	55
Imports	80	66	15	361
Exports	0	0	0	0

** All data in 1,000 metric tons

Trade:

Exports

No exports of oil meals or feed were recorded in MY 2009/10 and this situation is not expected to change in the future. Approximately 7 percent of Israeli feed mix sales are to the Palestinian Authority (PA), mainly for poultry, sheep and goats.

Imports

MY 2009/10 – In MY 2009/10, imports of all kinds of oil meals totaled 306,000mt, a 10 percent decrease compared to the previous MY. The slight decrease is probably due to technicalities and late registration issues at the port of entrance combined with a decrease of U.S. soy meal imports (from 86,000mt in MY 2008/9 to 51,000mt in MY 2009/10). Out of total oil meal imports about 74 percent are sunflower meals which are imported mainly from Ukraine, 22 percent are soy meals (all imported soy meals are Hi-Pro meal) which are imported primarily from the U.S., while the rest are canola meals which are imported from Belgium (about 15,000mt).

In MY 2009/10, imports of U.S. soybean meals totaled 51,000 mt, 41 percent decrease from last year record high (86,000 tons in the previous MY), and with a 17 percent market share (out of all kinds of oil meals).

CY 2010 – Although DDGS and gluten feed (protein sources) imports reached record high in CY 2010, with 409,000mt (53 percent up from CY 2009), imports of all kinds of oil meals increased 10 percent from CY 2009 (from 302,000mt to 331,000mt). The increase is mainly due to technical/late registration issues at the port of entrance combined with low supplies of feed wheat and barley from the Black Sea Area Of the total oil meal imports in CY 2010, approximately 230,000 tons (70 percent) was sunflower meal, about 24 percent was soybean meal from the U.S. (61,000mt) and Argentina (20,000mt) and the remainder was canola meal from Belgium (20,000mt). In CY 2010, U.S. soy meal imports did not change compared to CY 2009 levels. Sunflower meal was imported mainly from Ukraine, and the rest was imported from Romania. Although canola seed imports reached a record high of 70,000 tons, imports of canola increased by about 30 percent compared to the previous year, totaling about 20,000mt. In recent years canola meal was imported primarily from Belgium.

In CY 2010, the U.S. share out of all oil meals totaled 18 percent compared to the six-year record with a 20 percent market share in CY 2009.

MY 2010/11 Estimates – Data for the first 5 months of 2010/11 (October 2010-February 2011) show total oil meal (sunflower, soy meal and canola) imports increased by 65 percent from the same period one year ago (from 91,000mt to 150,000mt). Most of the increase is in U.S. soy meals and Ukrainian sunflower meals; however, Post expects the U.S. soy meal import pace will decrease significantly during the rest of MY 2010/11 as Ukrainian sunflower meal exports and other protein sources exports are expected to increase.

All in all, total oil meal imports will likely increase by nearly 30 percent from MY's 2009/10 levels, totaling about 395,000 mt. The expected increase of oil meal imports is mainly in order to rebuild oil meal stocks and is driven by rising local population and income combined with expected surging per capita consumption of livestock products. Although it is expected that local production of

canola meal will continue at the same pace as in the previous year, Post estimates that imports of canola meal in MY 2010/11 will be unchanged from the previous year's level.

Data for the first 5 months of 2010/11 show that American oil meal market share has increased significantly compared to the same period one year ago; from 14 percent to 24 percent. However, it is estimated that importers will purchase mainly Ukraine sunflower for the remainder of the marketing year and leave the U.S. share at 18 percent or 70mt, respectively.

MY 2011/12 Forecast – If DDGS, gluten feed and other feed ingredient alternative imports continue to increase, total oil meal imports are expected to decrease by about 10 percent compared to MY 2010/11, totaling about 355,000 mt. However, it is forecasted that sunflower meal imports will continue to be a major competitive feedstuff ingredient if its prices continues to be relatively low compared to other feed ingredient alternatives.

During the past seven marketing years oil meal imports ranged from 219,000mt to 405,000mt per MY, averaging 291,000mt per year.

The American oil meal import market share average of the past seven years totaled about 11 percent. In the future, the U.S. is forecast to maintain about 15 percent market share, with Ukraine supplying the bulk of the oil meals imports.

Import Trade Matrix, Meal

Import Trade Matrix Israel Meal, Soybean (TMT)			
Time Period: CY			
Imports for:	**2009**		**2010**
U.S.	61	U.S.	61
Argentina	0	Argentina	20
Others not Listed	0	Others not Listed	0
Grand Total	61	Grand Total	81

Policy:
Trade Policy

Israel-Mercosur FTA Agreement

The FTA between Mercosur (Brazil, Argentina, Uruguay and Paraguay) and Israel became effective on April 1st, 2010. Israel is the first country outside South America to implement a free trade agreement with this regional bloc. The FTA, which is primarily focused on trade in goods, provides for scaled baskets of tariff reductions in the following categories: 1) Basket A - immediate; 2) Basket B - four years (incl. soy meal); 3) Basket C - eight years; 4) Basket D - 10 years; and 5) Basket E - preferred quotas or margins. According to the Israeli Ministry of Foreign Affairs press release, the Israeli offer to Mercosur in baskets A to D covers 95% percent of its total Brazilian exports and it has offered to lift tariffs immediately (basket A) for 75 percent of its tariff lines. Mercosur's offer to Israel for baskets A to D covers 92 percent of Brazil's imports from Israel.

Mercosur offered 35 percent of its tariff lines in basket C, 27 percent in basket D and 24 percent in basket A.
The agreement can be viewed at the following web link:
http://www.moital.gov.il/NR/exeres/F898B2EF-E863-448C-A4D8-6B2ECA6C814D.htm

According to the agreement, during the first four years, the tariff on soy meal will decrease in 4 steps and will reach 4.5 percent at the end of the four years. With this decline, Mercosur meal imports will have the same import duty as the U.S. meal under the U.S.-Israel ATAP. As a result of the decrease of tariff on Mercosur soy meals, the competitiveness of U.S. soy meal will be eroded, which will likely lead to a further decline in U.S. meal exports.

Table 6: Tariffs on Oils and Soy Meals, Percent

Other Meals		Soy/Canola Oil		Soy Meal	
U.S. EU	Other Countries	U.S. EU	Other Countries	U.S. EU	Other Countries
2	2.8	4	7	4.5	7.5

In November 2009 Israel and the European Commission signed the renewed and expanded FTA on agricultural products and processed food products The agreement came into effect in January 2010. According to the agreement, the EU received a quota for tax-free imports of 5,220 tons of soy meal. Out of quota EU soy meal imports face a 7.5 percent tariff, while U.S. soy meal exports face a smaller tax burden compared to the exports of soy meals from other origins.

Table 7: New FTA between the EU and Israel, Imports into Israel

HS Code	Description	Reduction of the MFN customs duty (%)	Tariff quota (tons)	Reduction of the MFN customs duty beyond current tariff quota (%)
2304	Soy Meal	100	5,220	–
23063000	Oilcake and other solid residues	Applicable duty : 2.5 %	10,000	–
230641	Rape seed meal	Applicable duty : 4.5 %	3,920	–

Marketing:
Soybean Meal Prices

From March 2010 through March 2011, soy meal (44%) and DDGs prices increased 16 and 15 percent, respectively. The changes were dictated by the Chicago Board of Trade (CBOT).

Table 8: Prices for Feed Grains, Oilseeds and other Protein Sources, $ Per Ton (at the feed mill gate)

	March 2011	March 2010	% Change March 2011 Compared to March 2010
Corn	$350	$228	54%
Feed Wheat	$350	$198	77%

Barley	$345	$178	94%
Soy Meal (44%)	$510	$440	16%
Sunflower Meal (37%)	$330	$273	21%
Canola Meal	$360	$280	29%
D.D.G	$310	$270	15%
Gluten Feed	$290	$220	32%

Source: Israeli Cattle Breeder's Association

Production, Supply and Demand Data Statistics:

Meal, Soybean Israel	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	300	400	300	536		530
Extra. Rate, 999.9999	1	1	1	1		1
Beginning Stocks	12	12	13	11		12
Production	238	323	238	431		425
MY Imports	81	66	80	88		80
MY Imp. from U.S.	50	51	50	70		65
MY Imp. from EU	0	0	0	0		0
Total Supply	331	401	331	530		517
MY Exports	3	0	3	0		0
MY Exp. to EU	1	0	1	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	315	390	315	518		505
Total Dom. Cons.	315	390	315	518		505
Ending Stocks	13	11	13	12		12
Total Distribution	331	401	331	530		517

1000 MT, PERCENT

Commodities:

Oil, Soybean

Production:

Soy, canola, olive and sunflower oils are produced in Israel, and production is growing slightly to keep pace with moderately rising demand and trends in soy crush.

Table 9: Israel - Total Main Oils

MY 2009/10	Soybean	Canola	Total
Crush	400	74	474
Production	73	33	6
Imports	10	1	11
Exports		3	4

MY 2010/11	Soybean	Canola	Total
Crush	536	72	608
Production	97	32	29
Imports	9	1	10
Exports	2	4	6

MY 2011/12	Soybean	Canola	Total
Crush	30	72	602
Production	96	32	28
Imports	9	1	10
Exports		3	5

** All data in 1,000 metric tons

Consumption:

Despite increased prices for oilseeds, meals and vegetable oils, economic growth boosts average per capita vegetable oils consumption, especially canola oil. It is estimated the local vegetables oils consumption increased by about 5 percent in MY 2009/10 and is expected to increase by about 3 percent in MY 2010/11.

Approximately 85 percent of local vegetable oil consumption is from local production, and the remainder is imported. There are 2 main markets for oil: the industrial sector and households. It is estimated that the industrial sector consumes about 80,000 tons of vegetable oil annually, of which soy oil is the most demanded oil (about 78 percent market share).

It is estimated that the households sector consumes about 59,000 tons of vegetable oil per year. In recent years, household sector consumption of vegetable oil increased modestly, in line with the population growth. However, in recent years consumption of canola oil increased significantly due to increased soy oil consumption. In addition, olive oil consumption increased at a steady pace at about 6 percent annually and currently the local olive oil consumption is estimated at about 17,000 tons per year, of which about 5,000-8,000 tons is from local production, and the balance is imported. The inconsistent local olive oil harvest is a result of the "fluctuations phenomenon", an exceptional low yield that occurs once every 2-3 years. It is estimated the local olive oil production will increase by about 40 percent in next few years, totaling about 12,000 tons.

Trade:

Imports

As a result of the global and local economic improvement, it is estimated that vegetable oil imports increased by about 4 percent in MY 2009/10 (by quantity). On the other hand, due to the expected increased soybean imports in MY 2010/11, local soy oil production will increase, and soy oil imports are forecast to decrease by 5-10 percent compared to the previous year.

One of the potential effects of the political unrest in Egypt is on the tourism industry. Tourism is a critical industry for Egypt, where it accounts for 11 percent, and 12 percent of both GDP and employment, respectively. The impact of the current crisis is complex. Experience shows that even a specific incident in one country, such as a terrorist attack or such as the current political situation in Egypt, has an effect on its neighbors and may be expected to hurt Israel, too, even if it is not involved. Furthermore, in recent years there has developed a useful niche in the Israeli tourism sector: Russian tourists staying at resorts in Egyptian Sinai take one- or two-day trips into Israel and the Palestinian Authority, visiting Jerusalem, Bethlehem and Galilee. On the other hand, the crisis in Egypt may lead for an opportunity for the Israeli tourism industry: Some of the tourists who would have gone to Sinai will instead choose Israel's Red Sea resort town of Eilat, or Jordan's Aqaba. The tourism industry might have a significant effect on imports of food and agricultural products into Israel, including vegetable oils. If the second scenario will happen it is estimated that in MY 2010/11 vegetable oils imports will increase slightly or unchanged compared to the previous year.

Soybean and canola oilseeds imports are forecast to increase in MY 2010/11, therefore local production of soybean and canola oils is expected to increase by about 8 percent, and as a result total oil imports will likely remain at or slightly below MY's 2009/10 levels.

Total vegetable oil imports represent approximately 17 percent of local oil consumption. Soy oil is imported mainly from South America (Argentina and Brazil), while some is imported from the U.S. Canola oil is imported primarily from Belgium. Palm oil is imported from Malaysia and Indonesia and only for use in the industrial sector.

Exports

Israel usually does not export vegetables oils and this situation is not expected to change in the future. However, in recent years Israel has exported small quantities of soy oil to Jordan and canola oil to the U.S. and the EU. Post estimates that Israel's vegetable oils export to Jordan and other countries will not increase significantly in the coming years.

Policy:
Trade Policy

In the renewed free trade agreement on agricultural products and processed food products signed between the EU and Israel, there are quotas for tax-free imports of vegetable oils. In addition, U.S. and EU exports face a smaller tax burden compared to the exports from other countries (see table 10).

Table 10: New FTA between the EU and Israel, Imports into Israel

HS Code	Description	Reduction of the MFN customs duty (%)	Tariff quota (tons)

1507 10 10 1507 90 10	** Soya bean oil, whether or not degummed, edible	100	5,000
1509 10 1509 90 30	Olive oil, virgin Olive oil, other than virgin, edible	100	300
1509 90 90	Olive oil, other than virgin, other than edible	100	700
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified, edible	40	unlimited
1514	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified, edible	40	unlimited

** Above the 5,000 tons quota, imports of soy oil from the EU face a 4 percent tariff.

Table 11: Tariffs on Oils, Percent

Soy oil, Sunflower oil and Canola oil	
US EU	**Other Countries**
4	7

Marketing:
Prices

From June 2010 through February 2011, soy oil prices increased nearly 14 percent. The changes were dictated by the price for soybeans in the Chicago Board of Trade (CBOT).

On the other hand, olive oil prices for the same time period decreased by 5 percent. The decrease in olive oil prices is due to increased olive oil production in 2010 compared to the previous year. The decreased harvest in 2009 was a result of the "fluctuations phenomenon".

It is estimated that imported oil prices were higher by an average of 10 percent compared to local oil prices.

Table 12: Local Monthly Retail Average Price for Soy and Olive Oils

Month	**Soy Oil – 1 Liter**	**Olive Oil – 0.75 Liter**
6/2010	$2.95	$11.02
7/2010	$2.93	$10.76
8/2010	$2.97	$10.51
9/2010	$2.99	$10.64
10/2010	$3.00	$11.00
11/2010	$2.99	$10.45
12/2010	$3.01	$10.62
1/2011	$3.01	$10.22
2/2011	$3.35	$10.42

Source: Price Statistics Monthly, CBS.

Production, Supply and Demand Data Statistics:

Oil, Soybean Israel	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	300	400	300	536		530
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	10	10	4	3		5
Production	55	73	55	97		96
MY Imports	9	10	9	9		9
MY Imp. from U.S.	3	2	2	1		2
MY Imp. from EU	6	0	4	0		0
Total Supply	74	93	68	109		110
MY Exports	0	1	0	2		2
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	35	56	31	69		69
Food Use Dom. Cons.	35	33	34	33		34
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	70	89	65	102		103
Ending Stocks	4	3	3	5		5
Total Distribution	74	93	68	109		110
1000 MT, PERCENT						